

Message Text

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ACTION EB-07

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SUBJ: FORA FOR NEGOTIATIONS ON GRAINS

REF: USEC 02179

1. REPORTS OF RECENT DISCUSSIONS IN THE IWC AND
THE AD HOC PREP MEETINGS FOR UNCTAD IV CONCERNING
POSSIBLE INITIATIVES FOR GRAIN NEGOTIATIONS UNDER
UNCTAD AUSPICES, DISCUSSED IN REFTTEL, HAVE ALSO
ATTRACTED CONCERN OF US MTN DEL AND WE
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SHARE USEC DESIRE FOR CLARIFICATION OF USG POSI-

TION ON THIS SUBJECT.

2. WE NOTE THAT ARTICLE 20 OF 1971 WHEAT TRADE CONVENTION PROVIDES FOR CONSULTATION OR COOPERATION WITH UNITED NATIONS AGENCIES, IN PARTICULAR UNCTAD AND FAO. ARTICLE 21 STATES THAT WHEN IT IS JUDGED THAT PRICES AND RELATED RIGHTS AND OBLIGATIONS ARE CAPABLE OF SUCCESSFUL NEGOTIATION, THE COUNCIL SHALL REQUEST THE SECRETARY-GENERAL OF UNCTAD TO CONVENE A NEGOTIATING CONFERENCE. WE ARE UNCERTAIN WHETHER PROPOSAL BY RUSSIANS AT IWC FOR UNCTAD NEGOTIATING CONFERENCE EARLY IN 1977 (SEE PARA. 4 STATE 45293) CONTEMPLATES BEGINNING WITH ARTICLE 21 EXAMINATION LEADING TO PRICE-ORIENTED NEGOTIATION, OR WHETHER PROPOSAL IS TO CONVENE ENTIRELY SEPARATE NEW NEGOTIATION.

3. MTN DEL AWARE THAT MOST INTERNATIONAL COMMODITY NEGOTIATIONS HAVE BEEN CONDUCTED UNDER SOME KIND OF UN UMBRELLA AND (SINCE 1964 ESTABLISHMENT OF UNCTAD) WITH SOME KIND OF TIE TO UNCTAD. NATURE AND DEGREE OF UN AND/OR UNCTAD ROLE APPARENTLY INFLUENCED BY RELATIVE WEIGHT OF DCS AND LDCS AS PRODUCERS OR CONSUMERS OF PARTICULAR PRODUCT. THUS, FOR EXAMPLE, NEGOTIATIONS ON COCOA -- AN LDC PRODUCT -- HAVE BEEN AN UNCTAD UNDERTAKING WITH UNCTAD SECRETARIAT PLAYING A LEADING ROLE IN ANALYTICAL DOCUMENTATION AND SPONSOR OF IDEAS (AS WELL AS CONFERENCE SERVICES). NEGOTIATIONS ON GRAINS -- OVERWHELMINGLY A DC PRODUCT WITH ONLY ONE MAJOR LDC PRODUCER -- HAVE ON THE OTHER HAND BEEN NEGOTIATED AD HOC AMONG MAJOR PRODUCERS AS IN 1967 MEMO OF AGREEMENT AS PART OF GATT KENNEDY ROUND AND SUBSEQUENTLY IN IWC WITH UN AND/OR UNCTAD ROLE CONFINED TO HOUSEKEEPING CONFERENCE SERVICING. DISTINCTION SEEMS TO US IMPORTANT FOR SEVERAL REASONS:

(A) AN UNCTAD-SPONSORED FULL-FLEDGED NEGOTIATING CONFERENCE TENDS TO FOCUS ON PRICE AND LIMITED OFFICIAL USE

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MEASURES TO INFLUENCE PRICES (USUALLY STOCKS) WITH LITTLE OR NO ATTENTION TO COMMERCIAL POLICY INSTRUMENTS SUCH AS TARIFFS, QRS, VARIABLE LEVIES, SUBSIDIES, ETC. IN GRAINS CONTEXT, EC WANTS PRICE DISCIPLINE WITH MINIMUM MULTILATERAL ATTENTION TO "NON-NEGOTIABLE" CAP MECHANISMS WHILE U.S. OBJECTIVES ARE EXACTLY THE REVERSE. AN EC MOVE TOWARD UNCTAD AS INSTITUTION FOR GRAINS NEGOTIATIONS

(COUPLED WITH PUTTING MTN GRAINS NEGOTIATIONS ON ICE) WOULD THUS SEEM QUITE LOGICAL FROM EC (AND PARTICULARLY FRENCH) VIEWPOINT.

(B) UNCTAD COMMODITY NEGOTIATIONS HAVE NOT BEEN ORGANIZED ON DC-LDC CONFRONTATIONAL LINES BUT, INSTEAD, HAVE BEEN ON PRODUCER-CONSUMER LINES. IN CASE OF PURELY LDC-PRODUCED PRODUCT LIKE COCOA, IT IS A DISTINCTION WITHOUT A DIFFERENCE BUT IN CASE OF GRAINS THE SITUATION IS MORE COMPLEX SINCE PRINCIPAL DISPUTANTS ARE U.S. AND EC WITH LATTER BEING SIMULTANEOUSLY BOTH AN IMPORTANT PRODUCER AND CONSUMER. HERE, TOO, AN UNCTAD NEGOTIATING CONFERENCE HAS CERTAIN ADVANTAGES FOR EC (IT HAS MAJOR VOICE IN COORDINATING MEETINGS OF BOTH PRODUCERS AND CONSUMERS) WITH NO EVIDENT ADVANTAGES FOR U.S.

4. FRENCH DIRECTOR OF FOREIGN ECONOMIC RELATIONS DE MOREL, IN AN ASIDE TO AMBASSADOR WALKER DURING MARCH 2 DISCUSSION IN PARIS, IMPLIED FRENCH AWARENESS OF THIS U.S. DILEMMA AND SUGGESTED, OBLIQUELY, THAT THE U.S. MIGHT PREFER TO NEGOTIATE A GRAINS AGREEMENT IN GENEVA, UNDER MTN AUSPICES, THAN TO RISK HAVING LONDON TURN INTO AN UNCTAD FORUM. AMBASSADOR WALKER DID NOT RESPOND TO THIS SALLY.

5. PROBLEM IS COMPLICATED BY U.S. DESIRE TO AVOID ACTIVE GRAINS NEGOTIATIONS DURING 1976. IF WE DO NOTHING, INITIATIVE COULD BE SEIZED BY THE LDCS OR THE EC (OR APPARENTLY, EVEN THE RUSSIANS) TO CONVENE AN UNCTAD NEGOTIATION. PRESUMABLY, THE U.S. WOULD SIMPLY HAVE TO TRY TO STONEWALL SUCH AN EFFORT, THOUGH IT IS NOT AT ALL CERTAIN THIS TACTIC COULD LIMITED OFFICIAL USE

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DO MORE THAN DELAY AN UNCTAD NEGOTIATION. (WE UNDERSTAND UNCTAD'S 1976 SCHEDULE OF MEETINGS COULD ACCOMMODATE AN ADDITIONAL COMMODITY CONFERENCE). ALTERNATIVELY, U.S. AGREEMENT TO MOVE GRAINS NEGOTIATIONS TO THE MTN MIGHT ELICIT AGREEMENT FROM EC TO OPPOSE CONVENING OF UNCTAD NEGOTIATIONS AND THEREBY FORESTALL SUCH AN INITIATIVE. BUT SUCH A CONCESSION ON OUR PART MIGHT HAVE UNDESIRABLE DOMESTIC CONSEQUENCES.

6. EC MAY HAVE ITS OWN DIFFICULTIES IN SUPPORTING AN UNCTAD GRAIN NEGOTIATING FORUM. EC NEGOTIATING MANDATE FOR MTN CALLS FOR COMMODITY AGREEMENTS TO BE NEGOTIATED IN MTN. MOREOVER, THEY CAN ANTICIPATE U.S. OPPOSITION TO UNCTAD-SPONSORED NEGOTIATIONS AND

MAY WISH TO AVOID COMPLICATIONS WITH US OVER WHETHER TO CONDUCT TALKS UNDER UNCTAD OR MTN, GIVEN CONTINUING BATTLE OVER WHETHER TO HAVE NEGOTIATIONS UNDER IWC OR MTN.

7. FROM MTN DEL PERSPECTIVE U.S. INTERESTS SEEM TO DICTATE TACTICS AIMED AT AVOIDING CREATION OF UNCTAD GRAINS NEGOTIATION FORUM. WE URGE CONSIDERATION OF TACTICAL APPROACHES WHICH WILL ACCOMPLISH THIS OBJECTIVE AND WHICH, AT THE SAME TIME, MINIMIZE DAMAGE TO ULTIMATE SUBSTANTIVE OBJECTIVE OF ADVANCING U.S. GRAIN TRADE LIBERALIZATION GOALS.WALKER

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